CITY OF IDALOU, TEXAS

ANNUAL FINANCIAL REPORT

September 30, 2015

DAVID L HETTLER PC
Certified Public Accountants

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CITY OF IDALOU, TEXAS

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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As management of the City of Idalou (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. This discussion and analysis is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the City's activities based on information presented in the financial report. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges) and identify individual fund issues or concerns. As with other sections of this financial report, the information contained within this MD&A should be considered a part of a greater whole.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year ending September 30, 2015 by $3,711,079 (net position). Of this amount, $1,602,668 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's total net position increased by $10,328 from the previous year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads and streets, sidewalks, etc.) to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

- Governmental Activities – Most of the City's basic services are reported here, including the general administration, police, fire, EMS, streets, library, and parks. Property taxes, sales tax and franchise fees finance most of these activities.

- Business-type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and sanitation solid waste collection are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

- Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

- The City maintains three governmental funds. The General Fund is considered a major fund. The Debt Service and Capital Projects Funds are other governmental funds that are presented for additional analysis. Information for these funds is presented in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance.

- Proprietary funds – The City charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

- The City maintains two individual enterprise funds. The City uses enterprise funds to account for its water and sewer services and sanitation (solid waste disposal) services. The funds provide the same type of information as the government-wide statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund and the sanitation fund, both of which are considered to be major funds of the City.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information regarding the City's budgetary comparative information for the general fund.

THE CITY AS A WHOLE – Government-wide Financial Analysis

The City's combined net position was $3.71 million as of September 30, 2015. Analyzing the net position and net expenses of the governmental and business-type activities separately, the business-type activities net position is $2.268 million. This analysis focuses on the net position (table 1) and changes in general revenues (table 2) and significant expenses of the City's governmental and business-type activities.

The largest portion of the City's net position (approximately 55%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Current and other assets	$ 291,651.22	$ 307,832.68	$ 1,353,857.36	$ 1,589,392.56	$ 1,645,508.58	$ 1,897,225.24
Capital assets	2,648,275.88	2,413,233.19	1,659,316.72	1,547,597.18	4,307,592.60	3,960,830.37
Deferred outflows of resources	7,466.22	6,501.52	3,309.10	2,881.62	10,775.32	9,383.14
Total assets and deferred outflows of resources	2,947,393.32	2,727,567.39	3,016,483.18	3,139,871.36	5,963,876.50	5,867,438.75
Current liabilities	121,797.74	131,484.30	153,267.13	159,251.05	275,064.87	290,735.35
Long-term liabilities	1,221,263.00	1,153,692.09	766,797.00	711,932.00	1,988,060.00	1,865,624.09
Total liabilities	1,343,060.74	1,285,176.39	920,064.13	871,183.05	2,263,124.87	2,156,359.44
Net position						
Net investment in capital assets	1,397,037.88	1,227,614.19	860,316.72	796,597.18	2,257,354.60	2,024,211.37
Restricted	4,553.47	4,744.26	78,771.35	79,456.14	83,324.82	84,200.40
Unrestricted	202,741.23	210,032.55	1,157,330.98	1,392,634.99	1,360,072.21	1,602,667.54
Total net position	$ 1,604,332.58	$ 1,442,391.00	$ 2,096,419.05	$ 2,268,688.31	$ 3,700,751.63	$ 3,711,079.31

The net position of the City increased by $10,328 during the year ended September 30, 2015.

Governmental Activities

Table 2
Governmental Activity Revenues

	2014	2015
Property taxes including P & I	$ 491,349.60	$ 559,217.69
Sales tax	164,085.80	161,024.18
Fire department revenue	61,722.75	61,722.75
EMS revenue	113,713.24	114,345.21
EMS subsidy	41,320.00	47,295.00
Franchise fees	77,384.29	77,213.99
Municipal court revenue	44,006.70	50,729.11
Permits and licenses	17,638.75	8,970.90
Library revenue	3,854.11	3,807.75
Grants / Donations	200,415.76	-
Interest revenue	1,102.62	1,011.16
Other revenues	28,265.25	13,308.56
	$ 1,244,858.87	$ 1,098,646.30

The City's governmental revenues were down approximately 11.74% from the prior fiscal year with expenditures rising 2.89%.

The most significant governmental expenses for the City are general government administration and public safety. Public safety expenses are offset by traffic fines, fire call revenue from Lubbock County, EMS subsidy from University Medical Center, and EMS revenue from patients.

Business-type Activities

Revenues of the City's business-type activities were $1,126,778 for the period ended September 30, 2015. Expenses for the City's business-type activities were $918,285 for the year, resulting in income before transfers of $208,493.

Table 3
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues:						
Program revenues:						
Charges for services	$ 193,074.74	$ 185,038.86	$ 1,086,364.67	$ 1,125,254.27	$ 1,279,439.41	$ 1,310,293.13
Operating grants and contributions	45,190.00	52,572.00			45,190.00	52,572.00
Capital grants and contributions	200,415.76	-			200,415.76	-
General revenues:						
Property taxes	491,349.60	559,217.69			491,349.60	559,217.69
Sales tax	164,085.80	161,024.18			164,085.80	161,024.18
Franchise fees	77,384.29	77,213.99			77,384.29	77,213.99
Other	73,358.68	63,579.58	1,330.24	1,523.60	74,688.92	65,103.18
Total Revenues	1,244,858.87	1,098,646.30	1,087,694.91	1,126,777.87	2,332,553.78	2,225,424.17
Expenses:						
Administration	439,560.67	439,770.90			439,560.67	439,770.90
Judicial	51,810.92	67,666.97			51,810.92	67,666.97
Public safety	574,678.06	587,198.00			574,678.06	587,198.00
Public works	146,882.63	152,144.53			146,882.63	152,144.53
Parks	19,873.99	23,590.15			19,873.99	23,590.15
Library	27,527.00	26,441.35			27,527.00	26,441.35
Water and sewer			642,799.34	655,746.33	642,799.34	655,746.33
Sanitation			216,073.59	232,110.13	216,073.59	232,110.13
Interest			32,789.55	30,428.13	32,789.55	30,428.13
Total Expenses	1,260,333.27	1,296,811.90	891,662.48	918,284.59	2,151,995.75	2,215,096.49
Increase (decrease) in net position before transfers	(15,474.40)	(198,165.60)	196,032.43	208,493.28	180,558.03	10,327.68
Transfers	113,148.00	36,224.02	(113,148.00)	(36,224.02)	-	-
Increase in net position	$ 97,673.60	$ (161,941.58)	$ 82,884.43	$ 172,269.26	$ 180,558.03	$ 10,327.68

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2015 fiscal year, the City had approximately $3.961 million invested in a broad range of fixed assets, including buildings, streets, water and sewer lines and equipment, vehicles, police and fire department equipment.

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Land	$ 219,898.91	$ 219,898.91	$ 27,894.18	$ 27,894.18	$ 247,793.09	$ 247,793.09
Buildings and improvements	739,726.53	686,206.01	1,887.92	1,781.06	741,614.45	687,987.07
Land improvements	79,179.70	72,394.73			79,179.70	72,394.73
Street and infrastructure	1,209,279.31	1,137,400.85			1,209,279.31	1,137,400.85
Office furniture, equipment	20,851.30	13,096.73			20,851.30	13,096.73
Vehicles and equipment	367,167.96	274,967.31	217,404.45	197,206.13	584,572.41	472,173.44
Library books and equipment	12,172.17	9,268.65			12,172.17	9,268.65
Water and sewer system			1,412,130.17	1,320,715.81	1,412,130.17	1,320,715.81
Totals	$ 2,648,275.88	$ 2,413,233.19	$ 1,659,316.72	$ 1,547,597.18	$ 4,307,592.60	$ 3,960,830.37

Debt

At year-end, the City had $1,936,619 in debt outstanding as compared to $2,050,238 at the end of the prior fiscal year a decrease of approximately 5.54%. Table 5 indicates the outstanding debt at September 30, 2014 and September 30, 2015.

Table 5
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenue Bonds	$	$	$ 99,000.00	$ 81,000.00	$ 99,000.00	$ 81,000.00
Certificates of Obligation	1,240,000.00	1,180,000.00	700,000.00	670,000.00	1,940,000.00	1,850,000.00
Notes payable	11,238.00	5,619.00	-		11,238.00	5,619.00
Totals	$ 1,251,238.00	$ 1,185,619.00	$ 799,000.00	$ 751,000.00	$ 2,050,238.00	$ 1,936,619.00

During the year ended September 30, 2015 the City retired certificates of obligation in the amount of $90,000 and revenue bonds in the amount of $18,000.

General Fund Budgetary Highlights

The Council amended the budget in September 2015 for the year ending September 30, 2015 increasing appropriations by approximately $82,265 and expenditures by approximately $32,969.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget, tax rate, and fees that will be charged for the business-type activities. The City continues to practice conservative fiscal management to accomplish one of its top short-term goals, to strengthen the balance sheet for future borrowing to improve infrastructure within the City.

The City continues working on a strategic plan and capital improvement projects. The goal of management is to develop short and long-term plans to address the needs and concerns of the citizens of Idalou.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Suzette Williams, at the City of Idalou, P O Box 1277, Idalou, Texas 79329.

Member
Texas Society
Certified Public Accountants

DAVID L HETTLER PC

CERTIFIED PUBLIC ACCOUNTANT
4216 102ND STREET
LUBBOCK, TEXAS 79423
FAX (806)686-1003
(806)780-7700

Member
American Institute
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the City Council
City of Idalou, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Idalou, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Idalou, Texas as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of Changes in Net Pension Liability and Schedule of Contributions on pages 1 through 7 and 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

David L Hettler PC

David L Hettler PC
November 10, 2015

CITY OF IDALOU, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Idalou EDC
Assets				
Cash in bank and Texpool	$ 253,867.38	$ 1,370,172.40	$ 1,624,039.78	$ 138,443.29
Receivables				
Taxes	28,554.28		28,554.28	
Customer accounts, net		138,028.44	138,028.44	
Sales tax		1,548.65	1,548.65	
Interest	133.51	186.93	320.44	
City of Idalou				2,824.06
Other governments	20,533.25		20,533.25	
Restricted Assets				
Cash in bank and Texpool	4,744.26	79,456.14	84,200.40	
Capital Assets, Nondepreciable				
Land	219,898.91	27,894.18	247,793.09	
Capital Assets, Net of Accumulated Depreciation				
Buildings and improvements	686,206.01	1,781.06	687,987.07	
Streets and infrastructure	1,137,400.85		1,137,400.85	
Land improvements	72,394.73		72,394.73	
Office furniture and equipment	13,096.73		13,096.73	
Vehicles, equipment and machinery	274,967.31	197,206.13	472,173.44	
Library books and equipment	9,268.65		9,268.65	
Water and sewer system		1,320,715.81	1,320,715.81	
Total Assets	2,721,065.87	3,136,989.74	5,858,055.61	141,267.35
Deferred Outflow of Resources				
Deferred outflows - pension contribution	6,501.52	2,881.62	9,383.14	-

The accompanying notes are an integral part of these financial statements.

CITY OF IDALOU, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Idalou EDC
Liabilities				
Accounts payable	$ 26,650.98	$ 28,001.80	$ 54,652.78	$
Accrued compensation payable	29,968.15	13,910.03	43,878.18	
EDC payable	2,824.06		2,824.06	
Bond escrow	751.80		751.80	
Accrued interest payable	5,670.31	3,549.22	9,219.53	
Utility deposits		59,790.00	59,790.00	
Non-current Liabilities				
Due within one year:				
Note payable	5,619.00		5,619.00	
Certificates of obligation payable	60,000.00	35,000.00	95,000.00	
Revenue bonds payable		19,000.00	19,000.00	
Due in more than one year:				
Net pension liability	33,692.09	14,932.00	48,624.09	
Certificates of obligation payable	1,120,000.00	635,000.00	1,755,000.00	
Revenue bonds payable		62,000.00	62,000.00	
Total Liabilities	1,285,176.39	871,183.05	2,156,359.44	-
Net Position				
Net investment in capital assets	1,227,614.19	796,597.18	2,024,211.37	
Restricted for debt service	4,744.26	79,456.14	84,200.40	
Unrestricted	210,032.55	1,392,634.99	1,602,667.54	141,267.35
Total Net Position	$ 1,442,391.00	$ 2,268,688.31	$ 3,711,079.31	$ 141,267.35

The accompanying notes are an integral part of these financial statements.

CITY OF IDALOU, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Idalou EDC
Primary Government:								
Governmental Activities:								
Administration	$ 439,770.90	$ 8,970.90	$	$	$ (430,800.00)		$ (430,800.00)	$
Judicial	67,666.97				(67,666.97)		(67,666.97)	
Public safety - police department	305,574.98				(305,574.98)		(305,574.98)	
Public safety - fire department	98,312.98	61,722.75	2,077.00		(34,513.23)		(34,513.23)	
Public safety - EMS	183,310.04	114,345.21	47,295.00		(21,669.83)		(21,669.83)	
Public works - street department	152,144.53				(152,144.53)		(152,144.53)	
Parks	23,590.15				(23,590.15)		(23,590.15)	
Library	26,441.35		3,200.00		(23,241.35)		(23,241.35)	
Total Governmental Activities	1,296,811.90	185,038.86	52,572.00	-	(1,059,201.04)	-	(1,059,201.04)	-
Business-type Activities:								
Water and sewer	686,174.46	873,109.14				186,934.68	186,934.68	
Sanitation	232,110.13	252,145.13				20,035.00	20,035.00	
Total Business-type Activities	918,284.59	1,125,254.27	-	-	-	206,969.68	206,969.68	-
Total Primary Government	$ 2,215,096.49	$ 1,310,293.13	$ 52,572.00	$ -	(1,059,201.04)	206,969.68	(852,231.36)	-
Component Unit:								
Idalou Economic Development	$ 23,650.06	$ -	$ -	$ -	-	-	-	(23,650.06)
Property taxes					559,217.69		559,217.69	
Sales tax					161,024.18		161,024.18	32,204.84
Franchise fees					77,213.99		77,213.99	
Interest income					1,011.16	1,523.60	2,534.76	345.30
Transfers					36,224.02	(36,224.02)	-	
Other					62,568.42		62,568.42	750.00
Total general revenues and transfers					897,259.46	(34,700.42)	862,559.04	33,300.14
Change in net position					(161,941.58)	172,269.26	10,327.68	9,650.08
Net position, October 1					1,632,510.36	2,108,906.95	3,741,417.31	131,617.27
Adjustment for change in accounting principle (note 14)					(28,177.78)	(12,487.90)	(40,665.68)	-
Net position, October 1 as adjusted					1,604,332.58	2,096,419.05	3,700,751.63	131,617.27
Net position, September 30					$ 1,442,391.00	$ 2,268,688.31	$ 3,711,079.31	$ 141,267.35

The accompanying notes are an integral part of these financial statements.

CITY OF IDALOU, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2015

	General	Debt Service	Total Governmental Funds
Assets			
Cash in bank and Texpool	$ 253,867.38	$ 4,744.26	$ 258,611.64
Receivables (net of allowance for uncollectibles)			
Taxes	28,554.28		28,554.28
Interest	133.51		133.51
Due from other governments	20,533.25		20,533.25
Total Assets	$ 303,088.42	$ 4,744.26	$ 307,832.68
Liabilities, Deferred Inflow of Resources, and Fund Balance			
Liabilities			
Accounts payable	$ 26,650.98	$	$ 26,650.98
Accrued salaries payable	18,158.79		18,158.79
EDC payable	2,824.06		2,824.06
Bond escrow	751.80		751.80
Total Liabilities	48,385.63	-	48,385.63
Deferred Inflow of Resources			
Unavailable revenue - property taxes	27,554.28		27,554.28
Total Deferred Inflow of Resources	27,554.28	-	27,554.28
Fund Balance			
Assigned:			
Debt service		4,744.26	4,744.26
Unassigned	227,148.51		227,148.51
Total Fund Balance	227,148.51	4,744.26	231,892.77
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	$ 303,088.42	$ 4,744.26	$ 307,832.68

The accompanying notes are an integral part of these financial statements.

CITY OF IDALOU, TEXAS
RECONCILIATION OF THE STATEMENT OF NET POSITION
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
AS OF SEPTEMBER 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per balance sheet		$ 231,892.77
Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land	219,898.91	
Buildings and improvements	1,123,047.20	
Streets and infrastructure	1,909,565.89	
Land improvements	112,790.27	
Office furniture and equipment	165,844.38	
Vehicles, equipment and machinery	1,303,172.99	
Library books and equipment	110,120.61	
Accumulated depreciation	(2,531,207.06)	
		2,413,233.19
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.		
Property taxes	27,554.28	
		27,554.28
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		6,501.52
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consists of:		
Accrued interest payable	(5,670.31)	
Accrued vacation payable	(11,809.36)	
Net pension liability	(33,692.09)	
Note payable	(5,619.00)	
Certificates of obligation payable	(1,180,000.00)	
		(1,236,790.76)
Net position of governmental activities		$ 1,442,391.00

The accompanying notes are an integral part of these financial statements.

CITY OF IDALOU, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General	Debt Service	Total Governmental Funds
Revenues			
Property taxes	$ 452,416.38	$ 105,378.29	$ 557,794.67
Sales tax	161,024.18		161,024.18
Fire department revenue	61,722.75		61,722.75
Permits and licenses	8,970.90		8,970.90
Municipal court revenue	50,729.11		50,729.11
Franchise fees	77,213.99		77,213.99
EMS revenue	114,345.21		114,345.21
EMS subsidy	47,295.00		47,295.00
Interest revenue	1,011.16		1,011.16
Grant proceeds			-
Library revenue	3,807.75		3,807.75
Donated assets			-
Miscellaneous	13,308.56		13,308.56
Total Revenues	991,844.99	105,378.29	1,097,223.28
Expenditures			
Administration	342,159.70		342,159.70
Judicial	65,217.77		65,217.77
Public safety - police department	270,566.49		270,566.49
Public safety - fire department	56,637.78		56,637.78
Public safety - EMS	170,511.94		170,511.94
Public works - street department	37,371.27		37,371.27
Parks	9,833.03		9,833.03
Library	22,983.83		22,983.83
Capital outlay	45,879.35		45,879.35
Debt service --			
Interest		46,187.50	46,187.50
Total Expenditures	1,021,161.16	46,187.50	1,067,348.66
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,316.17)	59,190.79	29,874.62
Other Financing Sources (Uses)			
Principal payments on debt	(5,619.00)	(60,000.00)	(65,619.00)
Transfers in	40,000.00	1,000.00	41,000.00
Transfers out	(4,775.98)		(4,775.98)
Total Other Financing Sources and Uses	29,605.02	(59,000.00)	(29,394.98)
Net Change in Fund Balance	288.85	190.79	479.64
Fund Balance, September 1	226,859.66	4,553.47	231,413.13
Fund Balance, September 30	$ 227,148.51	$ 4,744.26	$ 231,892.77

The accompanying notes are an integral part of these financial statements.

CITY OF IDALOU, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance -- total governmental funds		$ 479.64
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	45,879.35	
Depreciation expense	280,922.04	
		(235,042.69)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments:		65,619.00
Some revenue reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.		
Change in property taxes receivable		1,423.02
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in pension expense		987.21
Change in accrued vacation payable		4,385.99
Change in accrued interest payable		206.25
Change in net position of governmental activities		$ (161,941.58)

The accompanying notes are an integral part of these financial statements.

CITY OF IDALOU, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2015

	Water and Sewer	Sanitation	Total
Assets			
Current Assets			
Cash in bank and Texpool	$ 1,059,013.85	$ 311,158.55	$ 1,370,172.40
Receivables (net of allowance for uncollectibles)			
Customer accounts	111,510.56	26,517.88	138,028.44
Sales tax		1,548.65	1,548.65
Accrued interest receivable	186.93		186.93
Total Current Assets	1,170,711.34	339,225.08	1,509,936.42
Non-current Assets			
Restricted			
Cash in bank and Texpool	79,456.14		79,456.14
Total Restricted Non-current Assets	79,456.14	-	79,456.14
Capital Assets, Nondepreciable			
Land	17,021.18	10,873.00	27,894.18
Capital Assets, Depreciable			
Water and sewer system	4,340,374.22		4,340,374.22
Sanitation and recycle system		561,396.92	561,396.92
Accumulated depreciation	(2,920,159.27)	(461,908.87)	(3,382,068.14)
Total Capital Assets, Net	1,437,236.13	110,361.05	1,547,597.18
Total Non-current Assets	1,516,692.27	110,361.05	1,627,053.32
Total Assets	2,687,403.61	449,586.13	3,136,989.74
Deferred Outflow of Resources			
Deferred outflows - pension	2,881.62	-	2,881.62
Total Assets and Deferred Outflow of Resources	$ 2,690,285.23	$ 449,586.13	$ 3,139,871.36

The accompanying notes are an integral part of these financial statements.

CITY OF IDALOU, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2015

	Water and Sewer	Sanitation	Total
Liabilities			
Current Liabilities (payable from current assets)			
Accounts payable	$ 12,030.02	$ 15,971.78	$ 28,001.80
Accrued compensation payable	13,910.03		13,910.03
Total Current Liabilities (payable from current assets)	25,940.05	15,971.78	41,911.83
Current Liabilities (payable from restricted assets)			
Accrued interest payable	3,549.22		3,549.22
Utility deposits	59,790.00		59,790.00
Bonds payable, current	54,000.00		54,000.00
Total Current Liabilities (payable from restricted assets)	117,339.22	-	117,339.22
Non-current Liabilities			
Net pension liability	14,932.00		14,932.00
Bonds payable, non-current	697,000.00		697,000.00
Total Non-current Liabilities	711,932.00	-	711,932.00
Total Liabilities	855,211.27	15,971.78	871,183.05
Net Position			
Net investment in capital assets	686,236.13	110,361.05	796,597.18
Restricted for debt service	79,456.14		79,456.14
Unrestricted	1,069,381.69	323,253.30	1,392,634.99
Total Net Position	1,835,073.96	433,614.35	2,268,688.31
Total Liabilities and Net Position	$ 2,690,285.23	$ 449,586.13	$ 3,139,871.36

The accompanying notes are an integral part of these financial statements.

CITY OF IDALOU, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities Enterprise Funds		
	Water and Sewer	Sanitation	Total
Revenues			
Water revenue	$ 607,523.36	$	$ 607,523.36
Wastewater revenue	239,833.58		239,833.58
Sanitation revenue		249,114.08	249,114.08
Spraying revenue		3,031.05	3,031.05
Penalty revenue	24,099.52		24,099.52
Water and sewer taps	1,250.00		1,250.00
Miscellaneous revenue	402.68		402.68
Total Operating Revenues	873,109.14	252,145.13	1,125,254.27
Operating Expenses			
Depreciation	184,014.52	19,097.02	203,111.54
Insurance - health	23,526.17		23,526.17
Materials and supplies	37,191.74	6,474.40	43,666.14
Payroll tax	14,027.55	1,253.76	15,281.31
Retirement	6,113.44		6,113.44
Salaries and wages	182,255.22	22,485.31	204,740.53
Training and travel	1,543.15		1,543.15
Operating and maintenance	51,211.82	1,310.99	52,522.81
Vehicle fuel and maintenance	19,717.37		19,717.37
Professional services	28,612.65		28,612.65
Other contractual services	55,586.41	181,488.65	237,075.06
Utilities	45,368.18		45,368.18
Credit card fees	6,578.11		6,578.11
Total Operating Expenses	655,746.33	232,110.13	887,856.46
Operating Income (Loss)	217,362.81	20,035.00	237,397.81
Non-operating Revenue (Expense)			
Interest income	1,523.60		1,523.60
Interest expense	(30,428.13)		(30,428.13)
Total Non-operating Revenue (Expense)	(28,904.53)	-	(28,904.53)
Income (Loss) Before Transfers	188,458.28	20,035.00	208,493.28
Operating transfers in	2,836.54	1,939.44	4,775.98
Operating transfers out	(41,000.00)		(41,000.00)
Change in Net Position	150,294.82	21,974.44	172,269.26
Total Net Position, October 1 (note 14)	1,684,779.14	411,639.91	2,096,419.05
Total Net Position, September 30	$ 1,835,073.96	$ 433,614.35	$ 2,268,688.31

The accompanying notes are an integral part of these financial statements.

CITY OF IDALOU, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities Enterprise Funds		
	Water and Sewer	Sanitation	Total
Cash Flows From Operating Activities			
Cash received from customers	$ 861,614.98	$ 251,506.92	$ 1,113,121.90
Cash payments to suppliers	(290,621.70)	(189,633.30)	(480,255.00)
Cash payments to employees	(183,240.08)	(22,485.31)	(205,725.39)
Net Cash Provided (Used) by Operating Activities	387,753.20	39,388.31	427,141.51
Cash Flows From Non-capital Financing Activities			
Operating transfers in	2,836.54	1,939.44	4,775.98
Operating transfers out	(41,000.00)		(41,000.00)
Net Cash Provided By (Used For) Non-capital Financing Activities	(38,163.46)	1,939.44	(36,224.02)
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(48,799.00)	(42,593.00)	(91,392.00)
Repayment of long-term debt	(48,000.00)		(48,000.00)
Interest payment long-term debt	(30,606.26)		(30,606.26)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(127,405.26)	(42,593.00)	(169,998.26)
Cash Flows From Investing Activities			
Interest received	1,356.58		1,356.58
Net Cash Provided By Investing Activities	1,356.58	-	1,356.58
Net Increase (Decrease) in Cash and Cash Equivalents	223,541.06	(1,265.25)	222,275.81
Cash and cash equivalents, September 1	914,928.93	312,423.80	1,227,352.73
Cash and cash equivalents, September 30	$ 1,138,469.99	$ 311,158.55	$ 1,449,628.54
Cash in bank and Texpool	$ 1,059,013.85	$ 311,158.55	$ 1,370,172.40
Restricted cash in bank and Texpool	79,456.14		79,456.14
Total cash and cash equivalents	$ 1,138,469.99	$ 311,158.55	$ 1,449,628.54

The accompanying notes are an integral part of these financial statements.

CITY OF IDALOU, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Business-type Activities Enterprise Funds		
	Water and Sewer	Sanitation	Total
Reconciliation of operating income to net cash provided by (used for) operating activities			
Operating income (loss)	$ 217,362.81	$ 20,035.00	$ 237,397.81
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	184,014.52	19,097.02	203,111.54
Changes in operating assets and liabilities			
(Increase) decrease in accounts receivable	(12,454.16)	(638.21)	(13,092.37)
(Increase) decrease in deferred outflows - pension	427.48		427.48
Increase (decrease) in accounts payable	(1,145.11)	894.50	(250.61)
Increase (decrease) in accrued expenses	(547.34)		(547.34)
Increase (decrease) in net pension liability	(865.00)		(865.00)
Increase (decrease) in meter deposits	960.00		960.00
Net cash provided (used) by operating activities	$ 387,753.20	$ 39,388.31	$ 427,141.51

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

The City of Idalou, Texas (the City) operates under a mayor – council (5 council members) form of government and provides the following services: Public Safety (Police, Fire, and Ambulance), Highways and Streets, Sanitation, Public Improvements (Water and Sewer Systems), Planning and Zoning, and General Administrative Services. Volunteers staff the fire department.

The accounting and reporting policies of the City relating to the activities included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, if applicable. The City's financial statements include the accounts of all City operations. Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organizations to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statement of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Idalou has a single component unit, the Idalou Economic Development Corporation (EDC). The EDC was formed to provide economic growth in the City. The governing board of the EDC is appointed by the City Council. The City has assigned a portion of its sales tax revenues to the EDC for future economic development of the City. The EDC does not issue separate financial statements. During the fiscal year ended September 30, 2015 the City allocated $32,204.84 of its sales tax revenue to the EDC.

B. Government-wide and Fund Financial Statements

Financial information of the City is presented as follows:

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the City's financial activities.

- *Basic Financial Statements*: Government-wide financial statements consist of a statement of net position and a statement of activities.

  These statements report all of the non-fiduciary activities of the government. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges from services and are usually intended by management to be financially self-sustaining.

  The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items, are presented as general revenues.

- *Fund Financial Statements* consist of a series of statements focusing on information about the City's major governmental and enterprise funds. Due to the small size of the City and the limited number of funds the City considers all funds to be major funds. Separate financial statements are presented for the governmental and enterprise funds.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model as defined by GASB Statement No. 34 the focus is either the City as a whole or major individual funds (within the fund financial statements).

The government-wide statement of activities demonstrates the degree to which the direct expense of a functional category (Public Safety, Public Works, etc.) or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental fund is the general fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements, if applicable.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Ad valorem, franchise and sales tax revenues in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirement of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer, and sanitary landfill funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major funds are used by the City:

1. Governmental Funds:

   The following is a description of the Governmental Funds of the City:

   a. General Fund accounts for several of the City's primary services (Public Safety, Public Works, General Administration, etc.) and is the primary operating unit of the City.

   b. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds, when applicable.

2. Proprietary Funds:

   The following is a description of the major Proprietary Funds of the City:

   a. Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

   b. Sanitation Fund accounts for the operations of the City's trash collection and disposal. Customers are billed monthly at a rate sufficient to cover the cost of providing such service.

3. Non-Current Governmental Assets/Liabilities:

   GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Position.

D. <u>Encumbrances</u>

The City does not use an encumbrance system of accounting.

E. <u>Cash, Cash Equivalents and Investments</u>

The City maintains a pooled cash account that is shared by the General Fund, the Water and Sewer Fund, and the Sanitation Fund. Each fund's portion of this pooled cash is allocated through its cash and cash in bank account on the balance sheet or statement of net position. The funds pool their operating cash for the purpose of cash management and to increase income through combined investment activities. In addition, non-pooled cash is separately held and reflected in each fund's balance sheet when applicable.

The cash and cash equivalents reflected in the statement of cash flows for the Proprietary Funds are made up of cash on hand, cash in the City's depository bank, certificates of deposit and investments in Texpool. Investments are considered to be cash equivalents if they are highly liquid with maturities within three months or less. Cash deposits and investments are reported at carrying amount (cost), which equals fair value, in accordance with GASB Statement No. 31. For the period ended September 30, 2015 the only investments owned by the City were certificates of deposit and funds invested in Texpool. The Texas Public Funds Investment Act governs items such as investment strategies and policies, training for investment officers, reporting requirements, and types of investments allowed. See Note 2.

F. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

G. Inventories

Inventories in Governmental and Proprietary Funds consist of expendable supplies. These amounts are not significant and thus no provision has been made for these amounts in the financial statements.

H. Interfund Receivables and Payables

Interfund receivables and payables are eliminated at the end of the fiscal year by reclassifying them as operating transfers if management does not expect the receiving fund to be able to repay the payable within a reasonable time. Interfund transfers are made to cover expenditures in funds with inadequate cash balances to cover the expenses. These transfers are treated as operating transfers and are included in the results of operations of both Governmental and Proprietary Funds.

I. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are carried at estimated fair market value on the date donated. Public domain (infrastructure) fixed assets consisting of roads, streets and sidewalks have been recorded at estimated historical cost. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized.

Assets capitalized have an original cost of $2,500 or more and a life expectancy of over three years. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and land improvements	10 – 40 years
Streets	20 years
Water and sewer system	10 – 40 years
Machinery and equipment	5 – 10 years

J. Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. The City's policy allows full time, permanent employees to accumulate up to 240 hours of earned but unused vacation leave. Upon separation from service in good standing employees are paid for any unused vacation leave subject to the 240 hour rule. Full time, permanent employees are allowed to accrue up to 240 hours of sick leave. Upon separation of service from the City accrued sick leave is cancelled without compensation to the employee. For the period ended September 30, 2015 the accrued vacation and comp time payable was $20,533.58.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has only one item that qualifies for reporting in this category, deferred pension contribution.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

L. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by the City Council. Approval of a resolution after a formal vote of the City Council is required to establish a commitment of fund balance. Similarly, the City Council may only modify or rescind the commitment by formal vote and adoption of a subsequent resolution.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council, through City Ordinance, has expressly delegated to the City Administrator the authority to assign funds for particular purposes or through adoption or amendment of the budget as intended for a specific purpose.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund.

Flow Assumptions – When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance as needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

M. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. In the government-wide financial statements, net position is classified in the following categories:

Invested in capital assets, net of related debt
This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduces this category.

Restricted net position
This category represents external restrictions imposed either: 1) by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position
This category represents the net position of the City which are not restricted for any project or other purpose.

Flow Assumptions – When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted net position first, then unrestricted net position as needed.

N. Restricted Assets

Restricted assets include cash and investments of both governmental activities and business-type activities that are legally restricted as to their use. The restricted assets are primarily related to debt service requirements or capital asset acquisition. Certain resources of the water and sewer fund have been set aside for capital asset acquisition and the repayment of debt and are classified as restricted on the statement of net position because they are maintained in separate accounts and their use is limited by applicable bond ordinances. The City records these reserves to indicate that a portion of cash and fund equity is legally segregated for a specific future use. At September 30, 2015 the proprietary funds had $79,456.14 restricted for asset acquisition and debt service. When an expense is incurred for which both restricted and unrestricted net position are available it is the City's policy to first apply restricted resources to the expense.

O. Reclassifications

Certain reclassifications have been made to fiscal year 2014 amounts to conform to the fiscal year 2015 presentation.

P. Capitalized Interest

In conformity with Financial Accounting Standards No. 34, "Capitalization of Interest Cost," the City capitalized interest costs for business-type activities only, net of related interest earned, from the date of borrowing until the projects acquired with those funds are ready for their intended use. For the fiscal period ended September 30, 2015, the City did not capitalized any interest costs associated with construction projects.

Q. Accounts Receivable and Unbilled Usage

Accounts receivable are recorded at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

R. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. Deposits and Investments

The City's cash and investments can be subject to five types of risk which are examined in more detail as follows:

CUSTODIAL CREDIT RISK OF BANK DEPOSITS – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions and investments be fully collateralized by U.S. Government obligations or obligations of the State of Texas and its agencies that have a market value of not less than the deposit amounts to prevent loss of public funds. The City has designated one bank for the deposit of its funds and at September 30, 2015 the City's deposits were fully insured or collateralized as required by state statutes. At year-end, the carrying amount of the City's bank deposits (checking and savings accounts) was $188,696.95 and the respective bank balances totaled $196,149.95. The City had certificates of deposit in the amount of $1,504,477.99 held by the City's depository. The City's total deposits and investments on deposit were $1,700,627.94 of which $250,000.00 was covered by Federal Depository Insurance. An additional $1,646,780.56 was covered by collateral held by the bank's agent and pledged to the City of Idalou at September 30, 2015.

CUSTODIAL CREDIT RISK OF INVESTMENTS – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City minimizes this risk by investing in certificates of deposit which are fully insured or collateralized and the Texpool investment which is rated AAAm by Standard & Poor's.

INTEREST RATE RISK – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's certificates of deposit whose value is not dependent upon the rate of interest are not subject to interest rate risk and the Texpool investment minimizes this risk by investing in securities with short-term maturities.

CREDIT RISK – Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation. The City's investment policy minimizes credit risk by limiting investments to the safest types of securities.

CONCENTRATION OF CREDIT RISK – Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. This type of risk is minimized by investing certificates of deposit and the highly rated Texpool.

FOREIGN CURRENCY RISK – Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. The City's policy is not to invest in foreign currencies which rules out any exposure to foreign currency risk.

Investments - Texas statutes authorize the types of investments allowable by the City. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, fully collateralized certificates of deposit, repurchase agreements, commercial paper, and direct obligations of cities within the State of Texas. The City is also authorized to invest in direct obligations of the State of Texas or its agencies, obligations of states, agencies, counties, and other political subdivisions, reverse repurchase agreements, prime domestic bankers' acceptances, money market funds, and government pools.

The City pools cash resources of its various funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAm by Standard & Poor's (their highest rating). As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

Amounts invested in the TexPool are recorded at cost which is also the fair market value. Government Pool investments are not categorized, in accordance with GASB No. 3, because they are not evidenced by securities that exist in physical or book entry form. At September 30, 2015 the City had $14,693.10 invested in Texpool.

As of September 30, 2015, the City's carrying amount of deposits and investments, related bank balances, and other cash were as follows:

	Carrying Amount	Financial Institution Balance
Cash on hand	$ 372.14	$ -
Demand deposits and savings	188,696.95	196,149.95
Certificates of deposit	1,504,477.99	1,504,477.99
Texpool	14,693.10	14,693.10
Total	$ 1,708,240.18	$ 1,715,321.04

3. Interfund Transfers

Interfund transfers during the period ended September 30, 2015 were as follows:

Fund	Operating Transfers In	Operating Transfers Out
General Fund	$ 40,000.00	$ 4,775.98
Capital Projects Fund		
Debt Service Fund	1,000.00	
Proprietary Funds	4,775.98	41,000.00
	$ 45,775.98	$ 45,775.98

4. Debt and Interest Expense

Interest expense charged to the various functions within the City government is as follows:

	9/30/2014	9/30/2015
Governmental activities	$ 47,528.12	$ 45,981.25
Business-type activities	$ 32,789.55	$ 30,428.13

At September 30, 2015 debt consisted of the following individual issues:

Water and sewer enterprise fund Series 1980 Revenue Bonds are 5% interest bearing and are due in semi-annual payments including principal and interest. The balance at September 30, 2015 was $81,000 of which $19,000 is due within one year.

Series 2010 Revenue Certificates of Obligation are 3.00% - 4.125% interest bearing. Principal is due in annual payments on February 15 and interest is due in semi-annual payments on February 15 and August 15. The balance at September 30, 2015 was $1,850,000 of which $95,000 is due within one year.

A note payable to Lubbock County dated July 28, 2011 which bears no interest. The note is due in annual installments of $5,619.00. The balance at September 30, 2015 was $5,619.00 which is due within one year.

Revenue Bonds

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. The Revenue Bonds are collateralized by the revenue of the water and sewer system. The bond ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds. Remaining revenues may then be used for any lawful purpose. The City is in compliance with all significant financial requirements as of September 30, 2015.

General Obligation Bonds

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. At September 30, 2015 the City had no General Obligation Bonds or Certificates of Obligation outstanding.

Changes in Outstanding Debt

Transactions for the period ended September 30, 2015 are summarized as follows:

	Balance 9/30/2014	Additions	Retirements	Balance 9/30/2015	Amount Due Within One Year
Governmental Activities					
Note Payable	$ 11,238.00	$	$ (5,619.00)	$ 5,619.00	$ 5,619.00
Revenue Certificates of Obligation	1,240,000.00		(60,000.00)	1,180,000.00	60,000.00
Total Governmental Activities	$ 1,251,238.00	$ -	$ (65,619.00)	$ 1,185,619.00	$ 65,619.00

	Balance 9/30/2014	Additions	Retirements	Balance 9/30/2015	Amount Due Within One Year
Business -type Activities					
Water and Sewer Fund					
Revenue Bonds Payable	$ 99,000.00		$ (18,000.00)	$ 81,000.00	$ 19,000.00
Revenue Certificates of Obligation	700,000.00		(30,000.00)	670,000.00	35,000.00
Total Water and Sewer Fund	$ 799,000.00	$ -	$ (48,000.00)	$ 751,000.00	$ 54,000.00

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities of bonds, certificates of obligation, and notes payable for the years subsequent to September 30, 2015 are as follows:

Year Ending	Governmental Activities		Business-type Activities		
September 30	Principal	Interest	Principal	Interest	Total
2016	$ 65,619.00	$ 44,462.50	$ 54,000.00	$ 29,218.76	$ 193,300.26
2017	60,000.00	42,587.50	55,000.00	27,175.01	184,762.51
2018	65,000.00	40,556.25	60,000.00	24,956.26	190,512.51
2019	65,000.00	38,362.50	62,000.00	22,606.26	187,968.76
2020	70,000.00	36,000.00	40,000.00	20,106.26	166,106.26
2021-2025	385,000.00	136,775.00	215,000.00	76,531.30	813,306.30
2026-2030	475,000.00	50,825.02	265,000.00	27,821.91	818,646.93
	$ 1,185,619.00	$ 389,568.77	$ 751,000.00	$ 228,415.76	$ 2,554,603.53

5. Property Tax

Property taxes are levied each October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by law. In Texas, central appraisal districts are required under the Property Tax Code to access all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. The Lubbock Central Appraisal District establishes appraised values at 100% of estimated fair market value for the City. The 2014 certified tax roll for the City was $94,151,096.

Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31. Tax liens are automatic on January 1 of each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent (February 1). The 2014 tax rate was $0.58582 per $100 valuation. Current tax collections for the period ended September 30, 2015 were 98.19% of the tax levy.

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed in the governmental fund financial statements. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue.

6. Grants

In the normal course of operations, the City receives grant funds from various Federal and State agencies as well as private foundations. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be significant.

7. Defined Benefit Pension Plans

Plan Description

The City of Idalou participates as one of 860 plans in the non-traditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8 Texas Government Code (the TMRS Act) as an agent multiple-employer public employee retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax qualified plan under Section 401(a) of the internal Revenue Code. TMRS issues a publically available comprehensive annual financial report (CAFR) that can obtained at *www.tmrs.com*.

All eligible employees (full-time and employees who work in excess of 1,000 hours per year) of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution (PLSD) in an amount equal to 12, 24, or 36 monthly payments which cannot exceed 75% of the total member deposits and interest.

	Plan Year 2014	Plan Year 2015
Employee deposit rate	5.0%	5.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility		
(expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms

At the December 31, 2013 and 2014 valuation and measurement dates, the following employees were covered by the benefit terms:

	2013	2014
Inactive employees or beneficiaries currently receiving benefits	0	0
Inactive employees entitled to but not yet receiving benefits	13	11
Active employees	13	13
Total	26	24

Contributions

The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Idalou were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Idalou were 2.78% and 4.03% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were $21,226.73, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuations was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%.

For Cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, and 100% for employers with 11 to 15 members. There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%). For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use (25-(20-8)) = 13 year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be 25-(20-1) = 6 years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years.

The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pensions plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Change in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/13	$ 323,277	$ 271,836	$ 51,441
Changes for the year:			
Service cost	44,756		44,756
Interest	23,541		23,541
Change of benefit terms			
Difference between expected and actual experience	(12,462)		(12,462)
Changes of assumptions			
Contributions - employer		15,206	(15,206)
Contributions - employee		28,056	(28,056)
Net investment income		15,564	(15,564)
Benefit payments, including refunds of employee contributions	(18,704)	(18,704)	-
Administrative expense		(162)	162
Other changes		(13)	13
Net changes	37,131	39,947	(2,816)
Balance at 12/31/14	$ 360,408	$ 311,783	$ 48,625

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net position liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	$ 122,327.00	$ 48,625.00	$ (10,052.00)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at *www.tmrs.com*.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the city recognized pension expense of $19,801.

At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ (10,183.00)	$
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	2,772.00	-
Contributions subsequent to the measure date December 31, 2014	16,794.14	
Total	$ 9,383.14	$ -

$9,383.14 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2015	$ (1,586.00)
2016	(1,586.00)
2017	(1,586.00)
2018	(1,586.00)
2019	(1,067.00)
Thereafter	-
Total	$ (7,411.00)

8. Supplemental Death Benefits Plan

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. Although it has no plans to do so, the City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit", or OPEB.

The following summarizes the SDBF coverage provided by the City for the prior two years:

	Plan Year 2014	Plan Year 2015
Active Employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Contributions are made monthly to the SDBF based on the covered payroll of the City. The contributions to the TMRS SDBF during the years ended September 30, 2015, 2014 and 2013 were \$444.99, \$394.90 and \$376.84, respectively, which equaled the required contributions for each year. The rate was 0.07% for October through December 2014 and 0.08% for January through September 2015 of covered payroll the period covered by this report. Since adoption of the plan, the City has no retirees; therefore no contributions have been made for retirees which would be considered an other post-employment benefit.

Schedule of Contribution Rates
(RETIREE - only portion of the rate)

Plan Year Ending	Annual Required Contribution Rate	Actual Contribution Made Rate	Percentage of ARC Contributed
9/30/2013	0.00%	0.00%	100.0%
9/30/2014	0.00%	0.00%	100.0%
9/30/2015	0.00%	0.00%	100.0%

9. Accounts Receivable and Due From Other Governments

Accounts receivable for the City's governmental and business-type activities, including the applicable allowance for uncollectible accounts at September 30, 2015 are as follows:

	Accounts Receivable	Less Allowance For Uncollectibles	Total
Governmental activities:			
General Fund:			
Property taxes	$ 36,359.72	$ (7,805.44)	$ 28,554.28
Total Governmental activities	36,359.72	(7,805.44)	28,554.28
Business-type activities:			
Water and sewer customers	129,729.72	(18,219.16)	111,510.56
Sanitation customers	28,684.94	(2,167.06)	26,517.88
Total Business-type activities	158,414.66	(20,386.22)	138,028.44
Total accounts receivable	$ 194,774.38	$ (28,191.66)	$ 166,582.72

Due from other governments for the City's governmental activities at September 30, 2015 are as follows:

State of Texas -- sales tax	$ 16,944.28
UMC Health System	3,370.00
Lubbock Central Appraisal District -- property taxes	218.97
Total due from other governments	$ 20,533.25

10. Individual Fund Disclosures

The water and sewer system of the City services approximately 946 properties. During the period ended September 30, 2015 the City sold approximately 79,518,000 gallons of water.

The City provides waste pickup and mosquito spraying services for its citizens with revenues and expenses recorded in the sanitation fund. The City contracts with a private company for waste collection and disposal. This waste is disposed of at the City of Lubbock's regional landfill or a landfill owned by a private company where the City is charged a fee based on weight to dispose of its waste. These fees will cover the City's share of any post-closure expenses and thus no provision is made in the financial statements for future costs associated with the landfill. Mosquito spraying is done on an as needed basis. Citizens are charged a monthly fee to cover the costs of these services.

11. Contingent Liabilities

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be significant.

From time to time the City is party to various legal proceedings which normally occur in governmental operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of City management, after consultation with legal counsel, these legal proceedings are not likely to have a significant adverse impact on the affected funds of the City.

12. Risk Management

The City manages risk by purchasing commercial insurance. The City purchased $2,000,000 liability coverage and approximately $3,658,863 property coverage. The City provides health insurance as a fringe benefit for full time, permanent employees through a commercial insurer.

Worker compensation coverage is also provided for all employees through the Texas Municipal League Intergovernmental Risk Pool (the Pool). The Pool provides property, liability and workers' compensation coverage for certain governmental entities of the State of Texas. Member entities include municipalities, housing authorities, councils of governments, hospital districts, water districts and tax appraisal districts. The Pool consists of five separate funds: the Workers' Compensation Fund, the Liability Fund, the Property Fund, and the Reinsurance Fund and the Stability Fund. The financial results of these coverages are accounted for in separate funds by the Pool.

The Texas Workers' Compensation Fund Joint Insurance Fund (the Workers' Compensation Fund) was created in 1974 by the Texas Municipal League. This Fund provides coverage that conforms to the workers' compensation laws of Texas. As part of the coverage, the Pool provides risk management services with emphasis on loss control.

The premiums paid for Workers' Compensation Coverage are based on estimated payroll amounts and are subject to fluctuations based upon an audit of payroll costs by the insurer. Any increase or decrease is not expected to be material to the financial statements.

For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three preceding years.

13. Capital Assets

Capital asset activity for the period ended September 30, 2015 was as follows:

	Balance 9/30/2014	Transfers and Additions	Transfers and Retirements	Balance 9/30/2015
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 219,898.91		$	$ 219,898.91
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	219,898.91	-	-	219,898.91
Capital assets, being depreciated				
Buildings	1,123,047.20			1,123,047.20
Streets and infrastructure	1,866,671.09	42,894.80		1,909,565.89
Land improvements	112,790.27			112,790.27
Office furniture and equipment	165,844.38			165,844.38
Vehicles, equipment and machinery	1,300,188.44	2,984.55		1,303,172.99
Library books and equipment	110,120.61	-		110,120.61
Total capital assets, being depreciated	4,678,661.99	45,879.35	-	4,724,541.34
Less accumulated depreciation for:				
Buildings	383,320.67	53,520.52		436,841.19
Streets and infrastructure	657,391.78	114,773.26		772,165.04
Land improvements	33,610.57	6,784.97		40,395.54
Office furniture and equipment	144,993.08	7,754.57		152,747.65
Vehicles, equipment and machinery	933,020.48	95,185.20		1,028,205.68
Library books and equipment	97,948.44	2,903.52		100,851.96
Total accumulated depreciation	2,250,285.02	280,922.04	-	2,531,207.06
Total capital assets, being depreciated, net	2,428,376.97	(235,042.69)	-	2,193,334.28
Governmental activities capital assets, net	$ 2,648,275.88	$ (235,042.69)	$ -	$ 2,413,233.19

	Balance 9/30/2014	Transfers and Additions	Transfers and Retirements	Balance 9/30/2015
Water and sewer activities:				
Capital assets, not being depreciated				
Land	$ 17,021.18	$	$	$ 17,021.18
Construction in progress	$ -	-	-	-
Total capital assets, not being depreciated	17,021.18	-	-	17,021.18
Capital assets, being depreciated				
Buildings	29,063.09			29,063.09
Water and sewer system	3,667,285.14	48,799.00		3,716,084.14
Vehicles, equipment and machinery	595,226.99	-		595,226.99
Total capital assets, being depreciated	4,291,575.22	48,799.00	-	4,340,374.22
Less accumulated depreciation for:				
Buildings	27,175.17	106.86		27,282.03
Water and sewer system	2,255,154.97	140,213.36		2,395,368.33
Vehicles, equipment and machinery	453,814.61	43,694.30		497,508.91
Total accumulated depreciation	2,736,144.75	184,014.52	-	2,920,159.27
Total capital assets, being depreciated, net	1,555,430.47	(135,215.52)	-	1,420,214.95
Water and sewer activities capital assets, net	$ 1,572,451.65	$ (135,215.52)	$ -	$ 1,437,236.13

	Balance 9/30/2014	Transfers and Additions	Transfers and Retirements	Balance 9/30/2015
Sanitation activities:				
Capital assets, not being depreciated				
Land	$ 10,873.00	$	$	$ 10,873.00
Total capital assets, not being depreciated	10,873.00	-	-	10,873.00
Capital assets, being depreciated				
Vehicles, equipment and machinery	518,803.92	42,593.00		561,396.92
Total capital assets, being depreciated	518,803.92	42,593.00	-	561,396.92
Less accumulated depreciation for:				
Vehicles, equipment and machinery	442,811.85	19,097.02		461,908.87
Total accumulated depreciation	442,811.85	19,097.02	-	461,908.87
Total capital assets, being depreciated, net	75,992.07	23,495.98	-	99,488.05
Sanitation activities capital assets, net	$ 86,865.07	$ 23,495.98	$ -	$ 110,361.05

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administration	$ 51,774.74
Judicial	-
Public safety - police department	42,521.53
Public safety - fire department	41,675.20
Public safety - EMS	12,962.67
Public works - street department	114,773.26
Parks	13,757.12
Library	3,457.52
Total depreciation expense -- governmental activities	$ 280,922.04

Business-type activities:	
Water and sewer	$ 184,014.52
Sanitation	19,097.02
Total depreciation expense -- business-type activities	$ 203,111.54

14. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has adopted Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* — this statement requires the City to change the accounting for pension costs related to the City's participation in the Texas Municipal Retirement System. GASB No. 68 is effective for periods beginning after June 15, 2014 and replaces the requirements of GASB Statements Nos. 27 and 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This standard requires government employers to recognize as a liability, for the first time, their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present values of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan's fiduciary net position. The standard also requires more immediate recognitions of annual service cost, interest and changes in benefits for pension expense; specifies requirements for discount rates, attribution methods; and changes disclosure requirements.

The following table reflects the result of the change in accounting principle relating to the adoption of GASB No. 68:

	Governmental Activities	Business-type Activities
Net Position, October 1	$ 1,632,510.36	$ 2,108,906.95
Adjustment for change in accounting principle	(28,177.78)	(12,487.90)
Net Position, as adjusted October 1	$ 1,604,332.58	$ 2,096,419.05

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF IDALOU, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Total	Variance With Final Budget Positive (Negative)
Revenues						
Property taxes	$ 440,799.64	$ 451,886.92	$ 452,416.38	$	$ 452,416.38	$ 529.46
Sales tax	150,000.00	160,907.50	161,024.18		161,024.18	116.68
Fire department revenue	56,103.75	56,103.75	61,722.75		61,722.75	5,619.00
Permits and licenses	5,000.00	8,920.90	8,970.90		8,970.90	50.00
Municipal court revenue	32,700.00	45,385.31	50,729.11		50,729.11	5,343.80
Franchise fees	75,000.00	77,213.99	77,213.99		77,213.99	-
EMS revenue	90,000.00	112,485.16	114,345.21		114,345.21	1,860.05
EMS subsidy	34,000.00	43,925.00	47,295.00		47,295.00	3,370.00
Interest revenue	1,000.00	995.43	1,011.16		1,011.16	15.73
Grant proceeds		-	-		-	-
Library revenue	3,200.00	3,790.75	3,807.75		3,807.75	17.00
Donated assets			-		-	
Miscellaneous	5,100.00	13,553.64	13,308.56		13,308.56	(245.08)
Total Revenues	892,903.39	975,168.35	991,844.99	-	991,844.99	16,676.64
Expenditures						
Administration	301,610.29	342,941.85	342,159.70		342,159.70	782.15
Judicial	63,431.45	67,896.85	65,217.77		65,217.77	2,679.08
Public safety - police department	290,213.12	275,773.26	270,566.49		270,566.49	5,206.77
Public safety - fire department	51,790.00	55,329.85	56,637.78		56,637.78	(1,307.93)
Public safety - EMS	192,557.39	166,581.64	170,511.94		170,511.94	(3,930.30)
Public works - street department	30,000.00	37,924.97	37,371.27		37,371.27	553.70
Library	21,671.29	23,598.83	22,983.83		22,983.83	615.00
Parks	-	10,721.64	9,833.03		9,833.03	888.61
Capital outlay	42,800.00	46,273.30	45,879.35		45,879.35	393.95
Debt service --						
Interest	-	-	-		-	-
Total Expenditures	994,073.54	1,027,042.19	1,021,161.16	-	1,021,161.16	5,881.03
Excess (Deficiency) of Revenues Over (Under) Expenditures	(101,170.15)	(51,873.84)	(29,316.17)	-	(29,316.17)	22,557.67
Other Financing Sources (Uses)						
Principal payments on debt			(5,619.00)		(5,619.00)	(5,619.00)
Transfers in	105,000.00	156,187.50	40,000.00		40,000.00	(116,187.50)
Transfers out		(102,700.00)	(4,775.98)		(4,775.98)	(4,775.98)
Total Other Financing Sources and Uses	105,000.00	53,487.50	29,605.02	-	29,605.02	(126,582.48)
Net Change in Fund Balance	3,829.85	1,613.66	288.85	-	288.85	(104,024.81)
Fund Balance, September 1	226,859.66	226,859.66	226,859.66		226,859.66	-
Fund Balance, September 30	$ 230,689.51	$ 228,473.32	$ 227,148.51	$ -	$ 227,148.51	$ (104,024.81)

CITY OF IDALOU, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
(unaudited)

	2014
Total Pension Liability	
Service cost	$ 44,756
Interest (on the Total Pension Liability)	23,541
Changes of benefit terms	-
Difference between expected and actual experience	(12,462)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(18,704)
Net Change in Total Pension Liability	37,131
Total Pension Liability - Beginning	323,277
Total Pension Liability - Ending (a)	$ 360,408
Plan Fiduciary Net Position	
Contributions - employer	$ 15,206
Contributions - employee	28,056
Net investment income	15,564
Benefit payments, including refunds of employee contributions	(18,704)
Administrative expense	(162)
Other	(13)
Net Change in Plan Fiduciary Net Position	39,947
Plan Fiduciary Net Position - Beginning	271,836
Plan Fiduciary Net Position - Ending (b)	$ 311,783
Net Pension Liability - Ending (a) -(b)	$ 48,625
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.51%
Covered Employee Payroll	$ 561,123
Net Pension Liability as a Percentage of Covered Employee Payroll	8.67%

The accompanying notes are an integral part of these financial statements.

CITY OF IDALOU, TEXAS
Schedule of Contributions
(unaudited)

	FYE 9/30/2015
Actuarially Determined Contribution	$ 21,226.73
Contributions in relation to the actuarially determined contribution	21,226.73
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 579,580.42
Contributions as a percentage of covered employee payroll	3.66%

The accompanying notes are an integral part of these financial statements.

CITY OF IDALOU, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015

Budgetary Control - Policy and Practice

The City operates on a twelve-month fiscal year which begins on October 1. The City Administrator is the budget officer and submits a budget of estimated revenues and expenditures to the City Council. Upon receipt of the budget estimates the City Council holds a budget workshop and a public budget hearing. Prior to October 1, the budget is legally enacted through approval by the City Council. Once approved, the Council may amend the legally adopted budget by a majority vote when unexpected modifications are required in estimated revenues and appropriations. In addition to the legally adopted budget the Council approves payment of expenditures at each monthly Council meeting. Unused appropriations for all annually budgeted funds lapse at the end of the fiscal year. Budgets are prepared on the modified accrual basis and capital outlays as expenses unless financed with debt. Additionally, the Enterprise Funds do not include depreciation as a budgetary expense.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures of governmental funds and proprietary funds are budgeted in total, which constitutes the legal level of control. Expenditures may not exceed appropriations at the total levels. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations between line items without Council approval.

The Budgetary Comparison Schedule, included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the General Fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results.

Schedule of Contributions

Valuation Date:	
Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Other Information:	
Notes	There were no benefit changes during the year.